

## Message Text

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E.O. 11652: GDS

TAGS: EGEN, ECON, XC, XE, XP

SUBJECT: OFFICE OF ECONOMIC POLICY WEEKLY STATUS REPORT  
JULY 19, 1977

1. PREPARATION FOR US-ASEAN ECONOMIC CONSULTATIONS  
(LIMITED OFFICIAL USE)

ON JULY 14 ERLAND CHAIRED THE FIRST INTERAGENCY  
MEETING ON PREPARATION FOR THE US-ASEAN ECONOMIC  
TALKS. IT WAS AGREED THAT WE WILL PREPARE THREE SETS  
OF PAPERS: A GENERAL SCOPE AND STRATEGY PAPER, PAPERS  
TO BE EXCHANGED WITH ASEAN ELABORATING OUR VIEWS  
ALREADY PROVIDED ON THE MAJOR AGENDA ITEMS AND US  
POSITION PAPERS FOR THE USE OF THE DELEGATION ON ALL  
THE AGENDA ITEMS AND ISSUES THAT MAY ARISE. THE FIRST  
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TWO SETS OF PAPERS ARE TO BE READY BY END OF JULY AND  
POSITION PAPERS BY MID-AUGUST.

2. ASEAN-JAPANESE CONSULTATIONS (CONFIDENTIAL)

LAST WEEK WE ASKED EMBASSY TOKYO TO CONVEY TO THE  
JAPANESE GOVERNMENT OUR OPPOSITION TO A STABEX TYPE

AGREEMENT WITH ASEAN. THE EMBASSY HAS REPORTED THAT WHILE MOFA, IN AN ATTEMPT TO BE RESPONSIVE TO ASEAN,

HAD OUTLINED A STABEX PROPOSAL, OTHER MINISTRIES WITHIN THE JAPANESE GOVERNMENT HAVE NOT ACCEPTED IT AND THE PROPOSAL IS NOW AT A STANDSTILL.

3. MTN (LIMITED OFFICIAL USE)

AMBASSADOR STRAUSS AND EC COMMISSION PRESIDENT JENKINS HAVE REACHED AN AGREEMENT ON A PLAN FOR WORKING OUT THE MAJOR ELEMENTS OF AN MTN PACKAGE BY JANUARY 15, 1978. THE PLAN CALLS FOR HAVING IN PLACE THE BASIC ELEMENTS OF A SUBSTANTIAL AGREEMENT INCLUDING 1) A TARIFF PLAN; 2) REQUESTS AND OFFERS FOR AGRICULTURAL TARIFFS AS WELL AS FOR INDUSTRIAL AND AGRICULTURAL NON-TARIFF MEASURES (NTM) NOT COVERED BY MULTILATERAL CODES; AND 3) ACCEPTABLE DRAFT TEXTS FOR ALL NTM CODES AND AGREEMENTS UNDER NEGOTIATION. THE FIRST OPPORTUNITY TO IMPLEMENT PART OF THE PLAN WILL COME ON JULY 19, WHEN GROUP AGRICULTURE WILL MEET. WE HOPE THAT THE GROUP WILL ADOPT A REQUEST/OFFER PROCEDURE FOR GETTING THE NEGOTIATIONS UNDERWAY IN THAT AREA. ON JULY 22 WE HOPE THAT THE NTM PARENT GROUP WILL ADOPT A SIMILAR REQUEST/OFFER PROCEDURE FOR NTMS NOT COVERED BY MULTILATERAL CODES.

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4. COMMODITIES (LIMITED OFFICIAL USE)

TIN

THE SIXTH SESSION OF THE INTERNATIONAL TIN COUNCIL ENDED IN A "DRAW". THE NEW FLOOR PRICE WAS HIGHER THAN WE THOUGHT ADVISABLE. HOWEVER WE, JOINED BY JAPAN AND GERMANY, ABSTAINED RATHER THAN VOTING AGAINST THE FINAL RESOLUTION BECAUSE IT ALSO CONTAINED CONSUMER SPONSORED QUALITATIVE SECTIONS ON TAXES AND INVESTMENT AND ON THE FUTURE USE OF EXPORT CONTROLS. THIS SESSION OF THE ITC WAS SOMEWHAT UNIQUE IN THAT THE US WAS NOT ISOLATED ON THE PRICE RANGE QUESTION. BOLIVIA CONSIDERED ITSELF BETRAYED BY ITS FELLOW PRODUCERS WHO FAILED TO SUPPORT ITS POSITION FOR AN EVEN HIGHER FLOOR PRICE.

COFFEE

MEXICO HAS SUGGESTED THAT A WORKING GROUP BE ESTABLISHED IN THE INTERNATIONAL COFFEE ORGANIZATION TO STUDY THE CREATION OF A BUFFER STOCK. IT BELIEVES THAT THE

PRODUCERS ARE RECEPTIVE TO THE IDEA AND COULD BE  
PERSUADED TO ACCEPT THE RATHER HIGH COSTS OF HOLDING  
STOCKS IN ORDER TO MODERATE PRICE SWINGS.

5. FOREIGN ASSISTANCE LEGISLATION (LIMITED OFFICIAL USE)

HOUSE AND SENATE CONFEREES ON THE IFI AUTHORIZATION  
BILL MADE NO DECISIONS ON THE DIFFICULT ISSUES  
(DOLE AMENDMENT, PALM OIL AMENDMENT, HUMAN RIGHTS)  
LAST WEEK AND ARE MEETING AGAIN THIS AFTERNOON, JULY 19.

INOUE SUBCOMMITTEE AND FULL APPROPRIATIONS COMMITTEE  
MARK-UP OF THE FY 78 FOREIGN ASSISTANCE APPROPRIATIONS  
BILL TURNED OUT WELL IN MOST RESPECTS. FLOOR ACTION  
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COULD OCCUR BY THE END OF THE WEEK. THE PALM OIL,  
SUGAR AND CITRUS PROVISION WAS DELETED, AS WAS THE  
PHRASE "OR INDIRECTLY" WITH RESPECT TO ASSISTANCE TO  
VIETNAM, CAMBODIA, LAOS, UGANDA, ANGOLA, MOZAMBIQUE  
AND CUBA. A NEW RESTRICTIVE PROVISION WAS ADDED,  
HOWEVER, THAT WOULD LIMIT SALARIES OF US EXECUTIVE  
DIRECTORS TO THE IFIS TO LEVELS COMPARABLE WITH USG  
PAY SCALES. THE COMMITTEE ALSO ACCEPTED HUMAN RIGHTS  
LANGUAGE BY SENATOR DECONCINI IN ITS REPORT, BUT NOT  
IN THE BILL, THAT WOULD REQUIRE NEGATIVE VOTES IN  
RESPONSE TO A "CONSISTENT PATTERN OF GROSS VIOLATIONS",  
BUT INOUE IS WORKING WITH DECONCINI TO TONE IT DOWN.

FUNDING LEVELS FOR THE IFIS ARE AS REQUESTED BY THE  
ADMINISTRATION FOR THE ADB AND IFC AND AT HOUSE LEVELS  
FOR THE OTHER ACCOUNTS. THE COMMITTEE STRUCK THE 5  
PERCENT HOUSE CUT IN SECURITY ASSISTANCE, BUT IT  
REDUCED ECONOMIC ASSISTANCE SLIGHTLY BELOW LEVELS  
ADOPTED BY THE HOUSE.

6. OPIC (LIMITED OFFICIAL USE)

PREMATURE REPORTS THAT OPIC MAY DISCONTINUE ITS PROGRAMS  
IN SINGAPORE HAVE LED TO GOS TO MAKE REPRESENTATIONS  
IN SINGAPORE AND WASHINGTON (THE EMBASSY'S FIRST  
SECRETARY PHONED EA/EP AND CALLED ON OPIC). WORD OF  
POSSIBLE OPIC ACTION WAS NOT INTENDED TO REACH THE GOS  
BUT DID SO AS A RESULT OF PRECAUTIONARY STEPS TAKEN  
BY OPIC. AT THE NEXT BOARD MEETING, POSTPONED TO  
AUGUST 2, THE OPIC BOARD WILL CONSIDER PROPOSED NEW  
GUIDELINES DESIGNED TO RESTRICT OPIC'S INSURANCE  
PROGRAM IN CERTAIN OF THE MORE ADVANCED DEVELOPING  
COUNTRIES. TO GRANDFATHER PIPELINE INVESTMENT PROJECTS,  
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OPIC NOTIFIED PROSPECTIVE INVESTORS IN ALL COUNTRIES THAT MIGHT BE AFFECTED TO APPLY FOR INSURANCE BEFORE THE BOARD MEETING, AND ONE OF THESE UNNECESSARILY INFORMED THE GOS. WE POINTED OUT TO THE SINGAPORE EMBASSY, UPON ITS INQUIRY, THAT OPIC'S NOTIFICATION WAS PRECAUTIONARY IN NATURE, THAT NO DECISION ON

GUIDLINES HAS YET BEEN MADE, AND THAT SINGAPORE WILL NOT NECESSARILY BE AFFECTED, SINCE THE PROPOSED GUIDELINES WILL TAKE INTO CONSIDERATION A VARIETY OF FACTORS, NOT MERELY PER CAPITA GNP.

AS MATTERS STAND, EA HAS SENT EB A MEMORANDUM RECOMMENDING THAT SINGAPORE BE EXEMPT FROM NEW RESTRICTIONS ON OPIC PROGRAMS, AND WE ARE PREPARED TO MAKE THE CASE FORCEFULLY, IF NECESSARY. WE UNDERSTAND THAT OTHER GEOGRAPHICAL BUREAUS ARE TAKING SIMILAR POSITIONS REGARDING MOST OF THE POTENTIALLY AFFECTED COUNTRIES, HOWEVER, AND THAT IT MAY TAKE ANOTHER WEEK TO WORK OUT A STATE POSITION ON COUNTRIES TO BE AFFECTED.

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